

Walter McDonald, 172 Magazine St., 9/28/15

I am speaking about Policy Order #13.

I agree with the request that the City Manager report back on the ability to increase funding for affordable housing. However, I think it is time to discuss all possible avenues to fund affordable housing. For example, what would happen if current property owners were asked to help out with the crisis of affordable housing in Cambridge?

When the City recently sent out "Understanding Your Taxes, September 2015", I took the opportunity to ask myself what would happen if the property tax rate were increased by 25 cents, two bits, as we used to say. This would raise the residential rate to \$8.07 per \$1,000 from \$7.82 per \$1,000. About 3.1% increase.

I discovered two things, using the report numbers:

1. This would raise the property tax bill on a \$400k house by \$100 from \$1255 to \$1355.

This would raise the property tax bill on an \$800K house by \$200 from \$4383 to \$4583

2. The extra revenue from this "two-bit" increase in residential taxes would net \$3,873,450. Almost \$3.9 million. In one year!

If this 25 cent increase were also added to the commercial property tax rate, the increase in revenue would be an additional \$3,016,650. Over \$3 million. In one year.

This 25 cent increase in the property tax rate across all property owners could generate an annual housing fund of some \$7 million. Every year.

By the way, Cambridge would still have the lowest tax rate around, by far!

Of course, we could make provisions for low-income households and other appropriate exemptions on appeal. This might be the solution you called for in saying "not adversely impact real estate taxes."

I think it's time for you to call on all property owners in this city to contribute to the solution of this crisis in housing. Taxes are a way to share the burden of our community's problems.

I have attached a copy of my arithmetic for you to check. Even if it's wrong, we should do the math and institute this solution.

Thank you

## A good reason to raise the tax rate: Two bits (25¢) for more affordable housing

There is an obvious and more direct source of funds for building more affordable housing in Cambridge: a small rate hike in the property tax, say 25¢, or two-bits. For example:

According to the most recent Cambridge report "Understanding Your Taxes, September 2015," \$357 million came from property tax revenues, roughly 35% from residential property and 65% from commercial property. This would break down as follows (all approximations):

Total residential taxes would be \$124,950,000 after the approximate 30% residential exemption for owner occupied residences. (\$178,500,000 before the exemption.)  
Commercial taxes would total \$232.050,000.

What would happen if just "two bits" were added to the tax rate, specifically for a housing fund?

Current rate: per thousand	\$7.82	Proposed rate 25¢ more	\$8.07
Assessed Housing Value	\$400,000		\$400,000
Tax	\$3128		\$3228
less residential exemption	<u>- \$1873</u>		<u>-\$1873</u>
Tax bill	\$1255		\$1355

For residential property at that level, the additional \$100 tax would go to a fund for housing.

Using the same calculation for housing assessed at \$800, 000, the tax bill would go from \$4383 to \$4583, twith the additional \$200 going to a housing fund.

This 25¢ increase of the tax rate would be a 3.1% increase. Using the 2015 residential property tax revenue of \$124,950,000 (above), the extra revenue going to the housing fund from this rate increase would be:  $\$124,950,000 \times 3.1\% = \$3,873,450$ . **Almost \$3.9 million!**

A 25¢ increase in the commercial rate from \$19.29 to \$19.54 would be an increase of 1.3%, but would generate some \$3,016,650 in additional tax revenue to go to the housing fund. **\$3 million more!**

The return from this 25¢ increase in the tax rate would result in almost \$7 million dollars (\$6,890,100) annually to fuel housing under the City's control:

- Partner with a developer to build only moderate, affordable and low-income housing.
- Buy affordable units in a developer's building
- Issue City bonds guaranteed by this tax revenue to build its own housing.

The tax rate is almost the lowest in the state. Adding 25¢ would not change that!